

***2005-2006 Proposed Budget  
Report and Recommendations  
to the City Council***



***“A Plan of Reason –  
A Future of Promise”***

***BEVERLY O'NEILL  
MAYOR***

***City of Long Beach  
California***

***August 12, 2005***



*The City of Long Beach*

BEVERLY O'NEILL, MAYOR

August 12, 2005

Honorable Members of the City Council  
City of Long Beach, California

SUBJECT: 2005-2006 Proposed Budget Transmittal

Dear Colleagues:

I am pleased to transmit to you the City of Long Beach Proposed Budget for Fiscal Year 2005-2006. This budget package includes the City Manager Proposed Resource Allocation Plan and my budget recommendations.

As you are aware, this begins the third year of our City Council approved Three-year Financial Strategic Plan that was created to lead us out of our structural deficit. During the first two years of the plan we have systematically eliminated \$70 million of the deficit, leaving only \$32 million to be resolved. This reduction required the City Manager and his staff to make difficult decisions regarding program cuts and reductions while crafting a budget that continues to meet the needs of our citizens and complies with the City Council's Adopted Goals and Priorities.

As in any cost-cutting effort the final reductions are the most difficult to make and the 2005-2006 budget is no exception. For that reason the third year of our three-year plan, while continuing to move toward a more balanced budget in the future, will require tougher choices than ever before. In spite of not being able to meet our goals within the three-year timeframe we had hoped for, we have made phenomenal progress since 2002.

When we first became aware of a potential deficit that would exceed \$100 million if left alone, we knew that we had to take a serious look at how we were delivering our services—and more importantly, we needed to determine which services were the most critical to our citizens. Those priorities have been communicated to City staff over the past two years through community meetings and our budget summits. Our challenge this year is to sustain our cost cutting efforts while continuing to provide city services in an efficient fashion.

## **INTRODUCTION**

### **Economic and Residential Growth**

As our new residential units downtown are completed, and as plans move forward for additional hotels to provide for our business visitors and tourists, we will continue to see an infusion of energy and vitality into our urban core. The market-rate developments that are attracting new residents who will be seeking arts, entertainment, and restaurants will be re-making our urban landscape while creating the waterfront destination for Southern California.

This expansion of our permanent downtown residential community indicates a profound confidence in Long Beach by home-builders, financial institutions and developers that will continue to feed our revenue sources.

#### **Building for the Future**

In recent years both the number of building permits issued by the City and construction valuation have continued to increase. Valuation in 2004 alone exceeded \$265 million and property tax revenue has increased \$12 million since 1994.

#### **Redevelopment Agency**

Initial work has commenced on the Promenade mixed-use residential/retail developments that will be completed by three separate home-builders along the Promenade between First and Third Streets. Initial work has also begun on West Gateway, the seven-block 800 unit residential development that will also eventually involve four homebuilders. West Gateway will refurbish the entrance to our community off the 710 freeway. These residential developments will continue the dynamic revitalization that started on Ocean Boulevard.

#### **Retail Growth**

The City's retail base has been dramatically re-built in the past decade. Sales tax revenue has increased over 70% in that time period and transit occupancy tax has increased 125%. As more of the residential/retail mixed-use developments are completed downtown, the number of new permanent residents will have additional retail choices to choose from. Those choices will be augmented as additional retail tenants move into the Pike at Rainbow Harbor and also onto Pine Avenue.

#### **Tourism**

Downtown hotels have reached an occupancy rate that exceeds 70%, finally recovering from the slump that followed 9/11. With more and more major exhibitors discovering our community as an ideal location for conventions and trade shows our tourism business will continue to flourish.

**Citywide Improvements**

- The Port of Long Beach, while continuing to embrace the sustained growth of Pacific Rim trade, made major strides in dealing with environmental issues by initiating the Pier Pass program, which will enable cargo to be delivered and picked up until 3 am and on Saturdays. This effort should help alleviate truck congestion on the 710 and pollution surrounding the port.
- Our increased traditional revenue sources will provide the necessary funding to sustain our multi-year plan to address curbs, gutters, streets and sidewalks.
- Our North Police Station is now open.
- We are working towards the first new neighborhood library branch of the 21<sup>st</sup> century.

**HISTORICAL PERSPECTIVE**

The 2005-2006 Proposed Budget Recommendations presents my eleventh and final budget document as Mayor of our great city. As a result, I feel it is important to provide an historical perspective on some of the issues and forces that have shaped the fiscal challenges we face today, with the hope of illustrating the need to continue our strategic approach to fiscal planning in the future.

Over the years, there have been a number of external factors that have resulted in depleted revenues and increased expenses for our city, such as the vagaries of the economy, property value changes, interest rate variations, the loss of over 50,000 jobs due to the downsizing in aerospace and defense, increased demands from a changing and more diverse population, public safety needs, and the economic and fiscal impacts from 9-11, as well as over thirty years of State raids that have taken over \$200 million from Long Beach revenue sources such as property tax, vehicle code fines, vehicle license fee revenue, cigarette tax revenues, and oil funds.

Since 1994, the City of Long Beach has changed dramatically. The following are some indicators:

Indicator	1994	2004	Change
Population	436,776	491,564	+12.5%
Unemployment Rate	9.3%	5.9%	-36.6%
Total City Employees	5,804	5,850	+8.4%
Safety Personnel	770	968	+25.7%
Firefighters	433	473	+9.2%
Sales Tax Revenue	\$23,363,836	\$39,784,896	+70.1%
Transient Occupancy Rate	\$6,245,904	\$14,088,245	+125.6%
Investment Portfolio - City	\$1.154 billion	\$1.214 billion	+5.2%
Assessed Valuation	\$21.580 billion	\$31.391 billion	+45.5%
Business Licenses Issued/Renewed	32,431	34,183	+5.4%
Building Permits Issued	9,465	15,624	+65.1%
Construction Valuation	\$95.68 million	\$267.03 million	+179.1%
City Park Acreage	1,185	2,814	+137.5%

**2005-2006 Proposed Budget**  
**Mayor Beverly O'Neill's Recommendations**  
*August 12, 2005*

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In his fiscal year 1989/1990 budget transmittal letter, then City Manager James Hankla stated, "An item of great concern in recent years has been the gap between General Purpose Fund revenues and expenditures." In that year, the City faced a "revenue gap" of \$7 million." In following years, the gap between expenditures and revenues widened, as seen below:

Fiscal Year	Revenue	Expenses	Deficit*
1990-91	\$279.9	\$284.3	\$(4.4)
1991-92	\$271.7	\$296.5	\$(24.8)
1992-93	\$277.9	\$291.6	\$(13.8)
1993-94	\$281.7	\$293.4	\$(11.8)
1994-95	\$256.9	\$287.3	\$(30.4)
1995-96 **	\$260.4	\$290.6	\$(30.2)
1996-97	\$267.7	\$301.5	\$(33.8)
1997-98	\$273.9	\$306.6	\$(32.7)
1998-99	\$286.6	\$317.6	\$(31.0)
1999-00	\$308.3	\$321.7	\$(13.4)
2000-01	\$302.3	\$321.8	\$(19.5)
2001-02	\$333.2	\$357.6	\$(24.4)

2002-03	\$325.2	\$368.2	\$(43.0)
2003-04	\$341.5	\$360.6	\$(19.1)
2004-05	\$363.6	\$375.0	\$(11.4)
2005-06	\$352.0	\$362.4	\$(10.4)

In millions

\* Deficit is prior to use of one-time revenues

\*\* FY 95/96 was a 15-month year; these numbers are for a 12-month adjusted period

**NOTES:**

2000 was the last year with the UUT at 10%

2004 was the first year of the Financial Strategic Plan

2005 was the return of PERS payments and last year of UUT reductions

For my first budget for fiscal year 1995/96, it was noted that the City was rapidly approaching a "fiscal cliff" as it related to the use of ongoing vs. one-time revenues to fund the budget. As a result of these anticipated challenges, prior to the release of the FY 1995/96 budget we created the first Mayor's Budget Advisory Committee, which brought forward a range of issues to be addressed, including:

- Establishment of city-wide priorities
- Enhanced economic development efforts to expand the tax base
- Streamlining of the permit process
- Sale of capital assets and surplus property
- Development of a financial strategy for public safety
- Evaluation of internal work practices, staffing levels and compensation issues
- Evaluation and cost-benefit analysis of employee benefit programs
- Review of employee retirement programs
- Aggressive review of the workers' compensation program
- Development of guiding principles or policies for contracting out services
- Internal systems modernized to improve cost-efficiencies

Many of the issues defined by the Budget Advisory Committee in 1995 have been implemented, however, many continue to be relevant to the challenges we are actively addressing today through our financial strategic plan. In addition, it's important to note that this was the first time a citizens group was involved in the budget discussion, and provided an important first step toward opening the door to what is now a very transparent process.

## **FISCAL POLICIES – CITY COUNCIL ADOPTED**

One of the critical components of the Three-Year Financial Strategic Plan adopted by the City Council two years ago was the establishment of a clear and comprehensive set of fiscal policies, which would serve as the framework within which the City's financial planning and decisions are made. I continue to wholeheartedly support the City Council approved fiscal policies for the City of Long Beach. They are recapped again as follows:

**1) *Structurally Balanced Budget***

Establishes a policy that all annual budgets for all City funds will be structurally balanced throughout the budget process. Recurring revenue will equal or exceed recurring expenditures in both the Proposed and Adopted Budgets.

**2) *Report on How the Budget is Balanced***

The City Manager will include in the narrative transmitting the Proposed Budget a concise discussion on how the budget is balanced.

**3) *General Fund Reserves***

The City shall maintain an Emergency Reserve equivalent to 10% of the General Fund recurring expenditures and work toward an Operating Reserve equivalent to 10%.

**4) *Use of One-Time Resources***

Once the General Fund budget is brought into structural balance, one-time resources shall not be used for current or new ongoing operating expenses.

**5) *Use of New Discretionary Revenue***

Once the General Fund budget is brought into structural balance, a minimum of 10% of all new (ongoing) discretionary revenue will be devoted to capital projects including deferred maintenance and infrastructure needs.

**6) *Accounting and Financial Reporting***

The City will conform to Generally Accepted Accounting Principals as promulgated by the Governmental Accounting Standards Board (GASB).

**7) *User Fees and Charges***

Every three years or less, staff will provide the City Council with reports that detail the full costs (operating, direct, indirect and capital) of providing services supported by user fees or charges.

**8) *Grants***

City staff will seek out, apply for and effectively administer federal, state and other grants that address the City's priorities and policy objectives and provide a positive benefit to the city.

**9) *Long-Term Financial Plan***

Each year, staff shall develop a Long-Term Financial Plan that forecasts operating expenditures and revenue for the next three to five years and capital expenditures and revenue for the next seven years.

**10) *Debt Issuance***

General Fund long-term debt payments shall not exceed 10% of operating expenditures. In addition, the City shall not issue long-term (over 1-year) General Fund debt to supporting operating costs. All General Fund debt issuances shall identify the method of repayment (or have a dedicated revenue source).

## **CITY COUNCIL GOALS AND PRIORITIES**

The City Council's Goals and Priorities help to define the City's policy direction and provide guidance for fiscal and operational decisions of city management. We commend the City Manager for his commitment to these goals in his daily management. These consensus Goals were established in February 6, 2004.

- ✓ Maintain a stable financial foundation and work toward maintaining a balanced budget with adequate resources.
- ✓ Further reduce crime, particularly violent crime.
- ✓ Enhance neighborhood economic development efforts.
- ✓ Improve environmental conditions in the City of Long Beach.
- ✓ Promote quality housing development; improve home ownership opportunities for Long Beach residents.
- ✓ Improve the quality of life in neighborhoods.
- ✓ Promote workforce and business development efforts so as to create new jobs; ensure Long Beach becomes more business friendly.
- ✓ Support programs that encourage the public's health and well-being.
- ✓ Expand the community's involvement in the workings of Long Beach government.
- ✓ Implement modern and well-maintained infrastructure, energy and transportation systems infrastructure.

## **CITY MANAGER'S PROPOSALS 2005-2006**

The City Manager along with his staff is to again be commended for his outstanding leadership in the development and unwavering commitment to the implementation of the City's Financial Strategic Plan. The City Manager characterizes the key elements of FY 2006 Proposed Budget as an investment in people and infrastructure, with a focus on adherence to the objectives of the Financial Strategic Plan, the optimization of City Services, and the utilization of a performance management system that will change the way we manage our operations.

The budget development process created by the City Manager and his team in these last several years is a model for public agencies across the country. In particular, the integration of community input into the budget process is exemplary, providing a multitude of opportunities, venues, and methods through which the community can identify their priorities and see them reflected in the financial strategic plan.

We are fortunate to have such a committed and talented workforce in the City. In these tight budget times our employees have taken on additional duties, without salary adjustments and with the absorption of additional benefit costs. We commend them for their unwavering commitment to the citizens of Long Beach.

### ➤ **OPTIMIZATION STUDIES**

One of the strengths of the Three-Year Financial Strategic Plan is the city staff's use of optimization practices, which employ a comprehensive, collaborative and innovative approach to define more efficient methods of delivering service. The following are examples of studies that are complete and implementation is ongoing:

- ◆ ***Code Enforcement/Nuisance Abatement***

The recommendations include consolidation of inspection and enforcement teams under the Department of Community Development, a geographically based team approach focusing on partnerships with neighborhoods, and staff realignment to improve efficiency in the delivery of code enforcement services.

- ◆ ***Fire Services and Emergency Dispatch***

This comprehensive study reviewed all aspects of the Fire Department's services and delivery methods, including staffing, infrastructure, revenue, fleet and calls for service.

- ◆ ***Workers' Compensation, Occupational Health and Safety***

Presented to the City Council in April 2004, this review presented key recommendations including improving claims reporting and management, streamlining medical procedures and increasing the City's focus on workplace safety.

- ◆ ***Fleet Services Study***

Presented to the City Council in April 2004, the study identified hundreds of vehicles for possible elimination or downsizing and included recommendations for improvements in fleet operations.

- ◆ ***Citywide Fee Study***

Phase I is complete and the majority of the results have been integrated into the FY06 budget. Phase II of the study is ongoing.



*The following are examples of optimization studies that are in progress:*

- |                                |                                |
|--------------------------------|--------------------------------|
| ◆ Information and Technology   | ◆ Reprographics                |
| ◆ Youth Services               | ◆ Ambulance Billing            |
| ◆ Parking Management           | ◆ Custodial Services           |
| ◆ Employee Healthcare Benefits | ◆ Mail and Messenger Services  |
| ◆ School Crossing Guards       | ◆ Fleet Operations Parts Room  |
| ◆ Towing Operations            | ◆ Communications and Marketing |

➤ **CITY MANAGER PROPOSED ENHANCEMENTS**

*Recommend support for the City Manager's proposed enhancements, which have been identified as critical funding needs, community priorities and/or as Mayor & City Council priorities. Highlighted below are some of the critical enhancements:*

- ◆ ***Police Officers***  
Fifteen additional Police Officers will be added to support Community Oriented Policing, with ten funded through the federal COPS grant program.
- ◆ ***Reinstatement of Fire Engine at Station #1***  
The Fire Chief implemented a pilot program during FY05, removing a fire engine from Fire Station #1. While it has been determined that there was no negative impact in services as a result of this change, the City Manager has re-instated the fire engine at Station #1.
- ◆ ***Additional arterial and residential street repairs***  
\$3.5 million in new funding for critical street repairs is included in the budget, composed of \$2.1 million Proposition 42 monies and \$1.4 million in General Fund resources.
- ◆ ***Additional Planning & Building staff***  
The City continues to experience extraordinary development activity, and as a result, the Department of Planning & Building will provide additional staff in the Construction Regulation Division, in Advanced/Environmental Planning, and in the Development Services Center Help Desk.
- ◆ ***Maintenance of New Mini-Park and Open Space Areas***  
The creation and development of additional open space is a critical priority for the City, and as 12 new community and mini-park areas are proposed, additional funds are needed to support their maintenance.
- ◆ ***Expanded Litter Abatement Program***  
Investments in our neighborhoods continue to be a priority with this enhancement providing additional resources to maintain our neighborhoods.
- ◆ ***Graffiti Abatement programs***  
We know graffiti is a contributing factor to gang activity, and this enhancement will expand the program to remove 85% of reported graffiti within 48 hours.

➤ **REVENUE / FEE ADJUSTMENTS**

The City will for the first time in several years experience net revenue growth due to the end of the Utility User Tax rate reduction and growth in key revenue sources, including Property Tax, Pipeline Franchise Fees, Emergency Ambulance Fees, and Transient Occupancy Tax, and an increase in the return on City assets.

The Three-Year Financial Strategic Plan also calls for various fee increases totaling approximately \$2.4 million, which are consistent and comparable with fees charged by other cities and agencies. This will help to recover costs for the provision of these services, and are necessary to avoid cuts to core services.

In addition, the Long Beach Water Department is proposing a volumetric water rate and daily service charge increase of 4 percent. Under this proposal, the average monthly water bill will increase from \$31.78 to \$33.05, or by \$1.27. The estimated 2006 Los Angeles County average is \$34.09.

***Recommend support of the fee increases proposed by the City Manager and Board of Water Commissioners.***

## **MAYOR'S PROPOSALS 2005-2006**

### **A Paradigm Shift in Our Budget Process**

As we enter the third year of our Financial Strategic Plan, we continue to face tough decisions that will result in a reduction of services to the community. However, through the leadership of the City Manager, these reductions are being coupled with increased efficiencies and extraordinary innovation that will result in an even higher performing organization. Another positive result of the budget process is a far more transparent approach that engages the City Council, City employees, and most importantly, the public in every step of the annual budget process. This paradigm shift has also redefined the process of how the budget is presented to the Council each August, including months of preparation and community input before the final budget is distributed.

I also wish to commend the entire City Council for their courage and commitment to the Plan. In particular, the Council's Budget Oversight Committee, led by Councilwoman Richardson and joined by Vice Mayor Kell and Councilmember Uranga, has been relentless in their efforts in pursuit of additional opportunities to reduce costs and increase revenues for the City, and we thank them for their efforts.

### **➤ UPDATED PLAN**

Through strategic cost reductions and revenue increases, approximately \$70 million in structural budget solutions have been achieved during the first two years of the plan. This is an extraordinary accomplishment. For FY 2006, the last year of the adopted three-year plan, approximately \$32 million in structural deficit remains to be solved. However, given the agreed upon public safety compensation increases and critical infrastructure needs, a fourth year of the plan has been recommended to be added. With this approach, \$22 million of the plan would be accomplished in FY 2006 through further staffing reductions, optimization savings, program reductions and revenue solutions. This would leave approximately \$10 million in structural reduction solutions for FY 07.

***Given the accomplishments of the Three-Year Financial Strategic Plan to-date, as well as the well-defined approach and commitment to the Plan for the coming years, I recommend the Council's support of the extension of a fourth year in the Updated Financial Strategic Plan.***

This third year of the Updated Financial Strategic Plan to reduce \$22 million includes some of the following major budget reductions:

▪ Closure of City Hall East	\$200,000
▪ 2% savings in Police civilian staffing	\$500,000
▪ Optimization of Community Relations Division in the Police Dept.	\$90,000
▪ Optimize Employee Health Insurance Program	\$4,900,000
▪ Optimize Advance Life Support billings & collections	\$200,000
▪ Close Main Library & North Branch one additional day per week	\$318,930
▪ Close Nature Center one additional day per week	\$59,000
▪ Suspend the Discover Long Beach Parks program	\$56,947
▪ Restructure citywide park ranger program	\$241,000
▪ Eliminate North & Freeman PAL programs and DARE program	\$391,915

- *Additional reductions are found in the City Manager's Proposed Budget, in the Financial Strategic Plan Section on page 31.*

➤ **MAYOR'S RECOMMENDATIONS**

**PUBLIC SAFETY FUNDING OUR PRIORITY**

Public safety has been and continues to be our city's first priority and is reflected in the fact that over 64% of our General Fund Budget is dedicated to these needs. However, even at these funding levels, and with the largest number of sworn officers in our City's history, gang violence and violent crime is increasing. These increases mirror a disturbing national trend, in which gang violence is increasing at an exponential rate. In Long Beach, gang-related violent crime has increased 3.7% year-to-date.

*A report produced by United States Senator Dianne Feinstein outlines some alarming information and statistics:*

- *Street gangs are no longer loosely organized groups centered around drug-dealing within a particular neighborhood; they are now complex criminal organizations whose activities include weapons trafficking, gambling, smuggling, robbery, and of course, homicide.*
- *Gang membership has risen dramatically nationwide, from an estimated 100,000 nationwide in 1980 to more than 750,000 today.*
- *In California there are approximately 300,000 gang members and 6,120 different street gangs.*
- *In Long Beach, there are approximately 6,500 gang members and 50 street gangs.*

An excellent example of what additional officers can accomplish is shown in the police department's most recent task force statistics for the period of July 25 - August 9, which included 210 felony arrests, 189 misdemeanor arrests, 24 guns taken off the streets, and 215 curfew violators detained. In the region, the Los Angeles Police Department, which patrols cities on our western border, has begun a hiring campaign of 750+ officers; the Los Angeles County Sheriffs Department, patrolling cities on our northern border is in the process of hiring 900 deputies; and the Orange County Sheriffs Department, which patrols cities on our eastern border is hiring an additional 300 deputies.

Our Chief of Police is currently working with the City Manager to bring a potential implementation schedule forward to increase the size of the police force. Given the costs associated with any increase in the number of police officers and requisite command staff, detectives and administrative staff to buttress their efforts, it is critical that additional resources are identified to support any such growth. The City Manager has engaged an outside expert to explore the possibility of a ballot measure that might generate the revenue necessary to fund incremental growth within the Police Department. (For example, the ballot proposition proposed by LA County Sheriff Lee Baca this last year, if passed, would have generated \$23 million to support enhanced public safety services for Long Beach. This would have supported approximately 150 new officers and requisite command and support staff.)  
***I strongly support all of the above efforts, and recommend any further steps needed to bring the necessary resources to bear to implement the City Manager and Police Chief's recommendations.***

➤ **MAYOR'S RECOMMENDATIONS - continued**

**PROGRAMS RECOMMENDED FOR REINSTATEMENT**

While our investment in public safety and infrastructure are critical priorities and must be maintained, quality-of-life programs enhance the lives of our citizens and help to define a city's character. As a result, I recommend the continued support and reinstatement of the following programs and services:

◆ **MUNICIPAL BAND**

In its 96<sup>th</sup> year, the City of Long Beach's Municipal Band is an institution in our city. The yearly summer concerts in our parks have brought enjoyment to generations of residents, providing one of the few free family recreation programs available to the entire city.

*Recommend that the Municipal Band Concerts be returned to an eight-week schedule, to possibly include performances in districts currently not represented. We encourage the pursuit of private sponsorships for these popular events, as well as recommend that the City Manager pursue funding from non-General Fund sources.*

**+\$440,000**  
(Non-General  
Fund monies or  
private sponsor)

◆ **4<sup>TH</sup> OF JULY FIREWORKS**

The 4<sup>th</sup> of July fireworks show displayed off our coastline has been another annual tradition in our city, bringing enjoyment to thousands of families who might not otherwise have the means to experience such an exhilarating display that celebrates our American spirit.

*Recommend the reinstatement of the City's support for an annual 4<sup>th</sup> of July fireworks show, displayed off our coastline at a location to be determined by the City Manager, and to be funded from non-General Fund sources.*

**+\$120,000**  
(Non-General  
Fund monies or  
private sponsor)

◆ **LIBRARY SERVICES**

Our libraries have absorbed extraordinary budget cuts over the years, resulting in the reduction of investment in materials and books, the reduction of youth services, and the limitation in services to the community through the reduction of hours at the Main and all branch libraries. The original adopted Three-Year Plan called for a total reduction of \$846,876 in our libraries; the Updated Financial Strategic Plan increases that reduction by 150%, to \$2,129,615.

As I have stated, while we recognize that our commitment to the Updated Financial Strategic Plan will result in significant reductions to programs that enhance our quality of life, the reductions to the library are too extreme, particularly as they impact critical youth services and programs.  
*Recommend that we rescind the reduction in educational programming and services to youth included in the Updated Financial Strategic Plan.*

**+\$223,498**

**TOTAL GENERAL FUND RECOMMENDATIONS**

**+\$223,498**

➤ **FISCAL PRIORITIES**

◆ **RESERVES MUST BE MAINTAINED**

• Emergency Reserve

The City Council has wisely maintained an Emergency Reserve that now totals \$36 million. City Council policy states that we maintain this reserve at 10% of the General Fund budget. Our high credit rating has in part resulted from our maintenance of this reserve at current levels, and this must continue. As I have stated for the last several years, I am strongly opposed to the use of Emergency Reserves as a one-time budget balancing mechanism.

• Operations Reserve

In 2004 the City Manager created an Operations Reserve of \$200,000, with the eventual goal of maintaining this at a level of 10% of the General Fund budget. We commend his allocation of an additional \$200,000 to this reserve fund for FY 06, for a total current level of \$600,000.

◆ **CONTRACTING IN / COST RECOVERY**

We support the continued exploration of marketing City services to surrounding cities and agencies, as feasible and when full cost-recovery is attainable.

◆ **MAJOR INFRASTRUCTURE FUNDING**

We must continue to make the necessary investments in our neighborhoods and address the issue of our aging infrastructure. In recent years we have implemented a twelve-year plan to focus on sidewalk repairs and replacement. Over the past decade we have repaired more than two and-a-half million square feet of sidewalks and have resurfaced over 660 miles of neighborhood streets. We have also removed graffiti from over 347,000 locations. Our improved revenue streams from downtown development efforts will allow us to sustain these infrastructure improvements.

◆ **LIBRARIES**

Last year as a result of further reductions to our libraries and the continuing closures at neighborhood libraries and the Main Library, a Library Focus Group of citizens representing all Councilmanic Districts was established to explore funding alternatives. The Library Focus Group is to be commended for its efforts to chart a new course for the Long Beach Public Library that will lead to stable, reliable and sustainable funding.

➤ **QUALITY OF LIFE PROGRAMMING FUNDING**

- ◆ Youth – It is vital that we continue to pay attention to after-school programs, so that our school-aged youth are productively engaged in various activities during those critical hours when juvenile crime is highest. These programs need to continue to be a cooperative effort between the City, the Long Beach Unified School District and the various non-profit organizations in the City.
- ◆ Seniors – While youth programming is a key priority for the City, we must continue to be mindful of the needs of our senior population.

➤ **FISCAL PRIORITIES - continued**

➤ **QUALITY OF LIFE PROGRAMMING FUNDING - continued**

- ◆ Homeless Services – The City of Long Beach is home to a growing homeless population, which affects neighborhoods, parks, schools, and businesses. This population provides challenges on how best to address their needs, with the desired outcome of providing hope and options.

➤ **FEDERAL TRANSPORTATION BILL FUNDING**

Congress recently passed, and the President has signed, the Transportation Equity Act: A Legacy for Users (TEA-LU) bill, which will invest \$286.5 billion dollars in the nation's transportation system over the next six years. In addition to the funding allocations, there is language in the bill that may provide for an additional application process for Projects of National Significance through the Department of Transportation. We thank our representatives in Washington, particularly Congresswoman Juanita Millender-McDonald for her relentless leadership in representing our needs, and Congresswoman Linda Sanchez for her assistance in garnering these critical funds. Below is a list of projects that were funded for the Long Beach area, **totaling over \$139.6 million.**

- I-710 / Gerald Desmond Bridge Project - \$100,000,000
- Reconstruct I-710 southern terminus off ramps - \$2,400,000
- Develop and implement traffic calming measures for traffic exiting the I-710 into Long Beach - \$1,600,000
- Atherton Street Enhancement Project - \$1,200,000
- Downtown Long Beach Parking Garage (Park and Ride Facility) - \$830,000
- Long Beach Intelligent Transportation System - \$2,400,000
- Improvement of Paramount Boulevard - \$480,000
- California Avenue (Sports Park) - \$1,000,000
- Study of Vincent Thomas Bridge to meet future cargo and passenger traffic needs of the ports of Long Beach and Los Angeles - \$1.6 million
- Alameda Corridor SR 47 Port Access Expressway design funding - \$8 million
- Implement intelligent management & logistics measures to improve freight movement, Gateway Cities - \$2.4 million
- Los Angeles Regional Diesel Emissions Reduction Program for Engine Retrofit, Gateway Cities - \$400,000
- Widen & realign Cherry Avenue from 19th Street to one block south of PCH, Signal Hill - \$3.2 million
- Expand Diesel Emission Reduction Program of Gateway Cities COG - \$2.48 million
- Alameda Corridor SR 47 Port Access Expressway Design - \$2 million
- Reconstruct I-710 Interchanges at I-405, at SR91, and at I-105 - \$5.5 million
- Museum of Latin American Art, Long Beach, to build intermodal park and ride facility - \$1.67 million
- Purchase one larger and two small ferryboats and construct related dock work to facilitate the use and accessibility of the ferryboats - \$2.5 million.

## **CONTINUING CITY NEEDS AND ADDITIONAL COMMENTS**

➤ **TIDELANDS FUNDS**

The Tidelands Fund supports the operating, maintenance and development of the Tidelands Trust area. Thanks to the transfer from the Harbor Department and the strong performance within oil operations, the Tidelands Fund will be balanced in FY06. However, given the volatility of oil prices, steps are being taken in the next two years to make structural changes in the Tidelands Funds to ensure their long-term balance and viability.

➤ **WORKERS' COMPENSATION OPTIMIZATION**

City Staff and the work team involved in reviewing our workers compensation systems are to be commended for their outstanding work. Through their comprehensive review and implementation strategies, costs have been reduced by over \$2 million annually citywide (as well as avoiding projected costs of \$4.9 million citywide), while improving services to injured workers.

➤ **HEALTH FUND**

The Health Fund provides the resources for critical public health services, including children, adult and senior health services, disease prevention and control, homeless services, environment inspection and testing, and vector control. Due to delays in grant funding and State reimbursements, the Health Fund faces a cash-flow challenge of approximate \$1.7 million in FY 06, which will be met with a strategy to reduce costs while still continuing to deliver core services.

➤ **CITY/LBUSD PARTNERSHIPS**

We commend the City and LBUSD for their ongoing dialogue that will continue to develop opportunities for City-School District collaborations that leverage existing resources.

➤ **ENVIRONMENT**

As a beachfront community with extraordinary climate and the best location in southern California to live work and recreate, we must continue to be balanced in our decisions to maintain our natural assets for future generations.

➤ **HARBOR**

We commend the Board of Harbor Commissioners for their continuing support of the agreement that transfers 10% of the Port's net operating profit to help fund the Tidelands, and thank them for their early transfer of these funds.

➤ **AIRPORT**

Plans for the airport continue to move through the various public hearings in working towards the development of an EIR and recommendations that will address the full scope of the proposed terminal facility changes. The recommendations to be reviewed are necessary for the airport to more efficiently deal with the passengers we need to accommodate.



➤ **ARTS**

When budgets are tight and being carefully scrutinized, the arts are always vulnerable to reduced public sector funding. However, we must always be mindful of the vital role that art and culture play in our daily lives. In these times of limited revenue it is critical that the private sector become more involved in supporting the arts throughout the community. There is no way to assign a cost benefit for what art means to a community. I am confident that when our deficit problems are a memory, the City will be able to resume an appropriate funding level for the arts.

➤ **STATE BUDGET - PROP 1A**

In an historic achievement for local governments, Proposition 1A was passed by the voters last November, for the first time providing local governments with the constitutional right to protect their revenue streams for local use. The provisions of the proposition require that we pay \$10 million over two years with the final \$5 million payment due in FY 2006. We commend the League of California Cities and the Governor for their leadership and collaborative efforts on this critical issue.

➤ **CURRENT AND UPCOMING KEY LEGISLATIVE ISSUES**

- ◆ **CDBG Funding** – CDBG funds provide affordable housing, creates jobs, and furthers economic development in cities. The “Strengthening America’s Communities” initiative presented earlier this year proposed the elimination of CDBG funding and the transfer of the program to the Department of Commerce. Through a coalition led by the U.S. Conference of Mayors and joined by the National League of Cities, the National Association of Counties, and with strong bi-partisan support, we have been working to fully fund CDBG and keep it at HUD. Currently, both the House and Senate Appropriations committees have funded it at \$4.2 billion (down from \$4.7 billion), however, formula grants have been cut (\$3.877 in the house and \$3.774 billion in the Senate) and we will be working to restore funding to last year’s level of \$4.1 billion.
- ◆ **Tax Reform** – President Bush’s “Commission on Tax Reform” is set to release their recommendations at the end of September 2005. Potential reform areas that could be highly problematic for cities and our residents are changes in or the elimination of the mortgage interest deduction, which has helped 67% of Americans to become homeowners; the elimination or change in local tax deductibility and financing tools, which are critical for cities to finance necessary services; and the possible elimination of the Earned Income Tax Credit, which has been an effective program to encourage low and moderate income people to work for a living rather than live on welfare. In addition, cities encourage better use of the tax code to leverage private-sector investment into cities. I have formed a U.S. Conference of Mayors Tax Reform Task Force, led by Chicago Mayor Daley and New York Mayor Bloomberg, to monitor the actions of the commission and make recommendations on behalf of our nation’s cities.
- ◆ **Telecommunications Reform** - Action is being considered at both the State and Federal level on telecommunications reform, which could affect cities’ franchise fees and utility use tax revenues.

- ◆ **Homeland Security Funding** - As the 32<sup>nd</sup> largest city in the country and home to the largest port complex in the Western Hemisphere, homeland security is a priority, and continued funding for our Nation's first responders continues to be a critical need. We will continue to work with the U.S. Conference of Mayors and the Department of Homeland Security to advocate for additional, expedited funding to ensure cities get the federal funds needed.

## **VISION FOR THE FUTURE**

The future of Long Beach is positioned on the brink of a new and more effective era of financial stability and customer service. The recent experience of battling through a structural deficit has led to innovations and optimization studies by City staff that will ensure our future as a leaner, more efficient and transparent organization—and one that is much more responsive to the needs of our citizens.

Our downtown has become a magnet for developers and investors who recognize the potential of a location with a mild climate, strategically located between Los Angeles and central Orange County, with unique access to transportation corridors. Our Convention & Visitor's Bureau and Convention and Entertainment Center are booking more and more event days each year and bringing back the same major exhibitors a second and third time.

The vision of our community includes a growing residential component downtown that strengthens our retail base and creates a spirited and vigorous urban core that will be unmatched in Southern California. It includes a growing and dynamic tourist population that adds to our tourism business segment, a continuing awareness of environmental concerns by the Port as it sustains its importance in the Pacific Rim trade, an increased revenue flow that provides the necessary resources for addressing aging infrastructure in our neighborhoods, library branches that are open and available as many days and hours as possible, municipal band concerts throughout the summer, more recreational programs for our youth with more parks and open space to implement those programs, and streets and neighborhoods throughout our community that are safe.

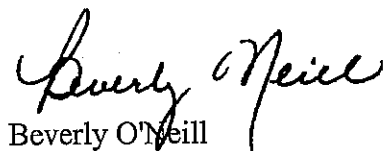
Cities must plan their future. Those that don't are subject to the vagaries of external factors that they may not have any control over. We planned our future in the 1990s during the tumult of economic dislocation and those plans are being implemented now on a daily basis. We are dedicated to a new means of delivering city services to residents while benefiting from stronger revenue flows from traditional sources. Our long-term strategy that is now in place will ensure our financial future beyond the term of our financial strategic plan. The plan approved by the City Council two years ago also dictates how we assemble our annual budget. It established the roadmap for us to find new financial stability, with the structural deficits merely a memory. I am confident that the changes that have occurred over the past several years, together with our stronger, more diversified economy will continue to move Long Beach toward its destiny as one of America's great communities.

## **ACTION REQUESTED**

It is respectfully requested that the City Council:

➤ **Approve the 2005-2006 Proposed Budget, with the proposed amendments and recommendations:**

1. Recommend the Council support the extension to a fourth year in the Updated Financial Strategic Plan.
2. Recommend support for the City Manager's proposed enhancements, which have been identified as critical funding needs, community priorities and/or as Mayor & City Council priorities.
3. Recommend support of the fee increases proposed by the City Manager and Board of Water Commissioners.
4. Strongly support the efforts of the Police Chief and the City Manager to define mechanisms and a potential implementation schedule to increase the size of the police force, and recommend any further steps needed to bring the necessary resources to bear to implement the City Manager and Police Chief's recommendations.
5. Recommend the continued support and reinstatement of the following programs and services:
  - a) Municipal Band - Recommend concerts be returned to an eight-week schedule, to possibly include performances in districts currently not represented, and encourage the pursuit of private sponsorships for these popular events, as well as recommend that the City Manager pursue funding from non-General Fund sources.
  - b) 4<sup>th</sup> of July Fireworks - Recommend the reinstatement of the City's support for an annual 4<sup>th</sup> of July fireworks show, displayed off our coastline at a location to be determined by the City Manager, to be funded from non-General Fund sources.
  - c) Library Services - Recommend that the reduction be rescinded in educational programming and services to youth that is included in the Updated Financial Strategic Plan.

  
Beverly O'Neill  
MAYOR